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RUEHKO/AMEMBASSY TOKYO IMMEDIATE 0853  
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E.O. 12958: DECL: 05/09/2016  
TAGS: [EAID](#) [PGOV](#) [PTER](#) [NP](#) [IN](#) [UK](#)  
SUBJECT: INDIAN AND UK AMBASSADORS BRIEF BOUCHER AND NSC  
MILLARD ON NEPAL'S SITUATION AND NEEDS

REF: NEW DELHI 2991

Classified By: Ambassador James F. Moriarty, reasons 1.4 (b/d).

The Transition

11. (C) In a wide-ranging discussion with A/S Boucher, NSC Senior Director Elisabeth Millard, the Ambassador and Acting DCM, Indian Ambassador Shiv Mukherjee and U.K. Ambassador Keith Bloomfield said they expected the remaining seats in a 21-member cabinet would be filled May 3 or 4. Mukherjee suggested that the Nepali Congress and the government could handle a transition if Koirala had to step down as prime minister, although there was no clear succession plan in place. Deputy PM Oli (from CPN-UML) probably would take over, but only until a new Nepali Congress person was selected. Bloomfield said a key issue facing the government would be civilian control of the military. Mukherjee agreed. Both thought Koirala would not be able to serve as both Prime Minister and Defense Minister (he currently holds both portfolios). A politician would have to be found to do the job. No retired general would be politically acceptable.

Economy and Aid

12. (C) Mukherjee said Nepal faced serious economic challenges. He noted that the competent head of the Planning Commission had just resigned, reportedly to give the new government a free hand in personnel. Both Ambassadors thought the government would not have a hard time coming up with an economic plan. Both former Prime Minister Deuba and the CPN-UML had written proposals in recent years. Bloomfield said a major challenge would be getting development assistance to the local level, given the presence of the Maoists. There already was a considerable amount of aid stuck in the pipeline because aid agencies had not been able to deliver it to the countryside. We may need Maoist agreement for aid programs to go forward, especially in areas under de facto Maoist control, Bloomfield said.

13. (C) Mukherjee said food was not a big problem, although there were distribution issues. Fertilizer was needed, however, especially now when farmers were entering their planting season. He said much of the fertilizer could come

from India. Mukherjee said the government also was facing a liquidity crunch. It was short Rs. 3.5 billion now, in part because it had been unable to collect revenues during the recent crisis. India had just expedited excise duty refunds to Nepal that would cut the gap by a third, but problems would remain. (Note: Newly sworn-in Finance Minister Ram Sharan Mahat subsequently told us that the Government of Nepal might soon see a quick infusion of cash. End note.) Mukherjee said Nepal seemed to have adequate fuel. One problem: The fuel came from India and Nepal has not been paying its bills. He said New Delhi would not seek payment immediately. Other development needs were in the areas of health, education and infrastructure. He expected India to provide a major assistance package. Bloomfield noted that both the World Bank and International Monetary Fund would need to be involved.

#### Dealing with the Maoists

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14. (C) Mukherjee said he expected the government would announce a reciprocal ceasefire May 4, but rules of engagement would have to be worked out to make it stick. He said India would like to see the army return to its traditional mandate of protecting Nepal. It should not be used against Nepali civilians. The past months had turned the army into an "enemy force" in the eyes of many Nepalis. The police, which falls under the Home Ministry, needed to take up the responsibility for internal law and order; and would need a lot of training to do so. Both Ambassadors said their countries were looking at reviving their police training programs -- India's program had been training 10,000 policemen, and the UK had a \$1 million program -- that were stopped after the King seized power February 1, 2005. It was

the police rather than the army that needed immediate help, they said. While acknowledging that some assistance might be resumed to the army, Mukherjee said he could not see providing the army with 80mm mortar shells to be dropped from helicopters. Boucher said he had told Prime Minister Koirala and others that the U.S. would be willing to provide military assistance and training, but through a civilian government.

15. (C) Bloomfield said international monitors would be essential for any ceasefire. They would be seen as independent and credible. They also would have experience that local civil society groups did not have. Mukherjee did not comment. Bloomfield said a third party also would be needed to help with decommissioning Maoists and getting them to turn in their weapons. Mukherjee added this would not be easy. The Maoists would need some assurances, either amnesty or safety, before they would agree to participate. When asked where the negotiations with the Maoists might take place, Mukherjee suggested they occur in Kathmandu through Maoist affiliated student and trade organizations, and under the "full glare of publicity."

16. (C) Mukherjee said he expected the government to lift the Interpol terrorist tag on the Maoists imminently. That would mean that countries would not be obliged to arrest and send Maoists back to Nepal. Ambassador Moriarty expressed concern, saying that the government should not grant such concessions before negotiations even began. Noting reports that the government also might release Maoists in custody, Ambassador Moriarty said this would not sit well with the army. One of the army's top generals had been killed by a Maoist that had been released from custody in a 2003 amnesty. Boucher asked both Ambassadors what they were hearing from the Maoists. Would the insurgents join the political process? Mukherjee said Communist Party of India leader Yechury -- who had recently visited Kathmandu -- had talked to the Maoists at length, and believed they sincerely wanted to join the mainstream in Nepal. Ambassador Bloomfield said the U.K. has conveyed to the Maoists that they need to be patient and show their sincerity.

#### U.S., U.K., and Indian Coordination

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17. (C) A/S Boucher said the U.S. wanted to make the political parties more effective. We also hoped to help the election commission and the anti-corruption agency. Parliament had to function better than it had in the past. Mukherjee agreed that the parties were facing a big test. When asked whether a contact group, a "friends of Nepal," should be established, Ambassador Mukherjee said such a group would not add value to the close coordination already underway, including in Kathmandu, between the U.S., U.K. and India. He said India would not join such a formal group, adding that expanding the group would likely lead it astray into discussions of lesser issues. Ambassador Bloomfield agreed, saying something along these lines had been tried in 2002, but had not gotten anywhere. Bloomfield also expressed doubts about a donors' conference, saying that his conflict resolution and aid people thought it would unnecessarily raise expectations. He argued that the Sri Lankan donors' conference had not helped the peace process in Sri Lanka. In contrast, Mukherjee was not opposed to a donors' conference.

Comment

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18. (C) Indian Ambassador Mukherjee repeated New Delhi's position that India is not in favor of a contact group, but preferred to work in Nepal by coordinating our bilateral approaches. The U.K.'s disinclination to explore a donors' group could be due to its belief it would not be able to find any more resources to bring to the table.

19. (U) A/S Boucher did not have the opportunity to clear this cable.

MORIARTY